2 Attractive Monthly Income Stocks to Stick in Your TFSA

Description

Getting a monthly cheque from investments in addition to your salary or pension payments can be very helpful when trying to cover rising living costs.

Let's take a look at two companies that pay attractive distributions 12 times per year and could be ripe for a rally.

Shaw Communications (TSX:SJR.B)(NYSE:SJR)

Investors often overlook Shaw in favour of its peers, but that might begin to change.

Why?

The company is making good progress on its strategy shift to be a major force in the mobile sector. Historically, Shaw had avoided the mobile phone market, but realized it needed to have a phone offering to package with its TV and internet services to compete for customers. Most people prefer to get their communications services from a single provider with one bill. Ideally, they also get a discount by rolling all of the products together in a bundle.

Shaw's Freedom Mobile brand is expanding its reach, and the company continues to invest in the infrastructure needed to provide coverage that is on par with the incumbents in the mobile sector.

Shaw is the only player among the big Canadian communications companies that pays its dividend monthly. The current payout provides a yield of 4.4%.

Distribution increases are probably on hold for the near term, as the company channels funds into the mobile business, but a return to dividend growth should be on the way in next couple of years. Once that happens, investors could see a surge in the stock price.

Inter Pipeline (TSX:IPL)

IPL owns conventional oil pipelines, oil sands pipelines, natural gas liquids (NGL) processing facilities, and a liquids storage operation in Europe.

The improvement in oil prices over the past year appears to be holding up reasonably well, and that should be good news for throughput on IPL's conventional oil assets, as producers find the extra cash flow they need to boost capital programs and production.

On the growth side, IPL is building a $3.5 billion facility in Alberta that will convert propane into the plastic that is used manufacture a wide range of products. The Heartland Petrochemical Complex is scheduled for completion in late 2021 and IPL is targeting average annual EBITDA of at least $450 million from the site. That should support steady dividend growth over the medium term.

The company raised its dividend every year right through the oil rout, so investors should be comfortable with the sustainability of the payout while the Heartland facility is being built. IPL's current monthly distribution of $0.14 per share provides an annualized yield of 6.8%.

The bottom line

An equal investment between Shaw and IPL would provide an average yield of 5.6%. Both stocks are somewhat out of favour right now, making them attractive contrarian picks for a buy-and-hold income-focused TFSA. The existing payouts should be very safe, and you get a shot at some nice capital gains when sentiment improves.

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1. Dividend Stocks
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